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In this issue:

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The Kansas Economy

Economic Indicators

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Is Kansas Recession Proof ?

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Introduction

The current national recession—the second major cycle this decade—has prompted much concern over recent trends in our nation's economic performance.[1] With newspaper headlines regularly reporting the declining health of the national economy as depicted by key economic indicators, one is led to wonder whether this information is characteristic of the local economy as well. Clearly, developments at the national and international level influence regional or state economies. For example, developments such as competitive world markets and energy-price increases have been particularly harmful to states like Michigan and Ohio, whose economies currently are quite depressed.[2] At the same time, however, other states, such as Texas and Wyoming, appear to be prospering despite the national recession.

What has been the situation for Kansas? Is it a myth or fact that the Kansas economy is "recession proof"? This article will assess the extent to which the Kansas economy is influenced by fluctuations in the national economy, Kansas' degree of sensitivity as compared with other states', and the reasons some state economies are more sensitive to (more influenced by) the national business cycle than others.[3] Subsequently, factors affecting the relationship between Kansas and the national economy will be identified and analyzed.

These issues are significant because they highlight the specific features of various economic regions and, therefore, indicate a region's particular needs concerning economic policy, planning, and development. National economic policy can help some regional economies while hurting others, just as a state's economic policy may help some city economies but hurt others in that state.

The first section of the article will address the question, is Kansas recession proof? Key terms and methodologies will be discussed. With that background, various studies can be discussed that indicate Kansas is, indeed, relatively recession proof. The question of how recession proof is Kansas also will be answered by comparing Kansas to other states and regions. Sources or locations of sensitivity within Kansas then will be identified.

The second section will consider why Kansas is relatively insulated from the national business cycle. In this section, the study will consider the types, size, age, and composition of industry in the state and the influence these factors have on the Kansas business cycle.

Section three will discuss trends over the past two decades within the state and offer a brief prognosis. The last section will summarize the study's major points.

Is Kansas Recession Proof?

The meaning of "recession proof" and "recession prone" depends on a number of considerations, including the methodology used in answering the more general question of the extent to which a national recession influences a particular state economy. In any case, "recession proof" and "recession prone" are relative terms, and their use largely represents a comparative level of sensitivity to the national business cycle.

The simplest and most effective approach to determining the degree to which a state is influenced by the national economy involves the calculation of a "measure of sensitivity"[4] for both the national economy and the state economy. Qualitatively, the national measure serves as the basis or benchmark for comparing the state measure. Quantitatively, the larger the measure of sensitivity, the greater the influence of a recession on the specific economic unit. If the state's measure of sensitivity is greater or smaller than the nation's measure, the state is identified as being recession prone or recession proof respectively. If the measures are equal, the state's business cycle simply mirrors the nation's and is thus neither recession proof or prone, although in an absolute sense it still experiences economic fluctuations. To be absolutely recession proof is impossible (though North and South Dakota come close). Thus, "recession proof" describes a state economy or economic unit that is less influenced by or less sensitive to a recession than is the national economy. "Recession prone" describes the opposite. Hence, the terms recession prone and proof are relative in context with some national measure being the standard of comparison.

The method employed in this article describes the overall influence of a recession on an economic system. The methodology is described in greater detail below.[5] This "measure of sensitivity" captures the net effect of a recession. How an economy behaves during a recession plus the way it recovers from a recession contribute to its overall sensitivity, and thus its labeling. The terms recession proof or

prone do not refer strictly to the recessionary phase of the business but to the entire business cycle. Because of the measure of sensitivity used, what is captured (loosely) is the amount of fluctuation of income growth over the whole business cycle. Given a particular state business cycle, the greater the fluctuation in income over the cycle, the higher will be the measure of sensitivity and the more likely it is for such a state to be identified, comparatively, as recession prone.

The cycle-swing approach is the methodology used to arrive at this indicator of net sensitivity. This "cyclical swing"[6] is a measure that allows for the comparison of the growth rates of nonfarm income in any aggregate economy (nation, state, county, city) to those of the smaller economic units or systems (states, counties, cities, industries) that make up the larger whole.[7] With such comparisons, one can assess the sensitivity of economic activity in smaller economic units to the larger unit's business cycle: for example, a state's economic sensitivity to the nation's business cycle. The cyclical swing is the difference between the mean quarterly percent change, at an annual rate, in nonfarm income over the expansion(s) and the recession(s). The cyclical swing measures changes in income over the whole business cycle, e.g., if for some complete business cycle, the average growth rate in nonfarm income over the expansionary phase was 6.4 and it was 4.2 over the recessionary phase, the difference, 2.2, is the cyclical swing. The greater the fluctuation over the business cycle the higher the cyclical swing. Comparisons between states' cyclical swings and the nation's allows for ranking the states according to their cyclical swing and identifying those states that are recession proof and recession prone.

Cyclical swing does not give a picture of an economy's general health; it simply indicates the amount of fluctuation in the nonfarm income's growth rate over time. (The time span is defined for periods of a complete business cycle at the national level.)[8] The cyclical swing measure compares economic activity in the recessionary and expansionary phases. If the cyclical swing measure is combined with comparisons between economic activity growth rates at a given point in time during one of the two business phases or over the entire cycle, some idea of the health of an economy develops. By considering both types of comparisons, growth rates and cyclical swing, one can infer the general soundness of an economic system and possibly gain some insight into whether it is better to be recession prone or recession proof.

Studies show Kansas to be relatively recession proof but, on average, less so now than in the past.

FINDINGS

The Bureau of Economic Analysis (BEA) has conducted several cyclical swing studies examining different time periods. Those most related to this article are the study covering the period 1948 4th quarter to 1970 4th quarter (hereafter shown 1948:4-1970:4)[9] and their current study, yet unpublished, which covers the time span from 1960:1 to 1980:1.[10] Those studies contain the cyclical swing measures for the Kansas and U.S. economies for every complete business cycle in the nation since 1948:4.

A summary of the studies is presented in Table A. Kansas' cyclical swing is shown in column 2. For example, the growth rate in nonfarm income during the contractionary phase of the 1957:3-1960:1 business cycle was 2.7 percent. In the expansionary phase of that cycle, the comparable figure was 7.9 percent, the difference is, of course, the cyclical swing of 5.2 percent. Column 3 provides a comparison between Kansas' and the nation's cyclical swing through the use of an index figure. The index figure is the quotient of the state cyclical swing divided by the nation's cyclical swing. Hence, an index figure greater than 100 implies a state has greater cyclical sensitivity than the nation (is recession prone), and an index figure less than 100 implies the opposite (is recession proof). Thus, one can see that Kansas was relatively recession proof for all the business cycles except during the 1969:3-1973:4 cycle when its index rose to 142. But the last complete cycle appears to have had a much smaller effect on Kansas, as evi-

Table A

Business Cycle/Time Period	Kansas Cyclical Swing	Index U.S. Avg. equals 100%	Index to the End of the Period
1948:4-1953:2	7.2	63	63
1953:2-1957:3	5.1	73	67.3
1957:3-1960:1	5.2	66	67.4
1960:1-1969:3	3.9	76	71.2
1969:3-1973:4	5.4	142	83.2
1973:4-1980:1	1.2	30	72.4

Table B
Plains Region

Rank	State	Cyclical Swing	Index*
31	Missouri	4.2	69
33	Kansas	3.9	67
36	Minnesota	3.7	64
39	Oklahoma	3.3	57
42	Iowa	2.6	45
47	Nebraska	1.3	22
49	S. Dakota	-.3	-
50	N. Dakota	-.8	-

*For the time period 1948:4-1970:4. United States equal 100.

Table 1
STATES COMPARED: 1948:4-1970:4

Rank	State	Nonfarm Income: Ave. Quarterly Percent Change, at Annual Rates In Expansion	In Contraction	Cyclical Swing	Annual Growth Rate, Percent	Index	Classification
	United States	7.6	1.9	5.8	6.5	100	
1	Michigan	8.4	-2.9	11.3	6.2	195	Highly
2	Indiana	8.4	-2.7	11.1	6.3	191	Recession
3	Ohio	7.7	-1.6	9.3	5.9	160	Prone
4	South Carolina	9.3	.2	9.1	7.5	155	States
5	Alabama	8.4	.9	7.5	6.9	129	
6	Alaska	9.7	2.4	7.3	8.3	126	
7	Connecticut	8.2	.9	7.2	6.8	124	
8	Pennsylvania	6.7	-.4	7.1	5.4	122	
9	Illinois	7.0	-.1	7.1	5.6	122	Moderately
10	West Virginia	5.8	-.6	6.4	4.5	110	Recession
11	Georgia	9.1	2.7	6.3	7.9	109	Prone
12	Nevada	11.3	5.2	6.1	10.1	105	States
13	Wisconsin	7.4	1.4	6.0	6.3	103	
14	Kentucky	7.8	1.9	5.9	6.6	102	
15	Vermont	7.9	1.9	5.9	6.7	102	
16	North Carolina	8.7	3.0	5.7	7.6	98	
17	Maryland	8.7	3.0	5.7	7.6	98	
18	Virginia	8.6	3.0	5.6	7.5	97	
19	Delaware	7.9	2.7	5.2	6.9	90	
20	Florida	10.9	5.9	5.0	9.9	86	
21	Oregon	7.1	2.1	4.9	6.1	84	
22	Texas	8.2	3.4	4.7	7.2	81	
23	New Jersey	7.5	2.8	4.7	6.6	81	Moderately
24	California	8.6	4.0	4.6	7.7	79	Recession
25	Tennessee	8.0	3.4	4.6	7.1	79	Proof
26	Washington	7.3	2.8	4.5	6.4	78	States
27	Louisiana	7.8	3.3	4.5	6.9	78	
28	Massachusetts	6.7	2.4	4.4	5.9	76	
29	New York	6.4	2.1	4.3	5.6	74	
30	Rhode Island	6.3	2.1	4.2	5.5	72	
31	Missouri	6.8	2.6	4.2	6.0	72	
32	Arizona	10.7	6.6	4.0	9.9	69	
33	Kansas	7.3	3.3	3.9	6.5	67	
34	New Hampshire	7.4	3.5	3.9	6.6	67	
35	Mississippi	8.1	4.4	3.7	7.4	64	
36	Minnesota	7.5	3.8	3.7	6.8	64	
37	Maine	6.2	2.5	3.6	5.5	62	
38	Arkansas	7.8	4.3	3.4	7.1	59	
39	Oklahoma	7.1	3.8	3.3	6.5	57	
40	New Mexico	8.4	5.2	3.2	7.8	55	
41	Colorado	8.4	5.4	3.1	7.8	53	Highly
42	Iowa	6.6	4.0	2.6	6.1	45	Recession
43	Hawaii	8.3	5.8	2.5	7.8	43	Proof
44	Utah	7.6	5.1	2.5	7.1	43	States
45	Wyoming	5.7	3.6	2.1	5.3	36	
46	Idaho	6.6	5.2	1.4	6.4	31	
47	Nebraska	6.7	5.4	1.3	6.5	22	
48	Montana	5.8	5.3	.5	5.7	9	
49	South Dakota	6.1	6.4	-.3	6.1	—	
50	North Dakota	6.3	7.1	-.8	6.4	—	

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis

* 1948:4-1970:4, average quarterly change, at annual rate

denced by its index of 30, than the previous five cycles.

Column 4 is a moving average of index measures. This measure gives an indication of whether Kansas is becoming more or less sensitive over time. The studies show Kansas to be relatively recession proof but, on average, less so now than in the past. This is seen by the figures in column four which indicate a narrowing in difference in the Kansas national cyclical swing measures since 1948:4.

Table 2
Regions Compared: 1948:4-1970:4

Region	Cyclical Swing	Index	Classification
Great Lakes	9.0	155	Most Vulnerable
Southeast	5.7	98	
Mideast	5.1	88	
New England	5.1	88	Average Vulnerability
Far West	4.6	79	
Southwest	4.3	74	
Plains	3.2	55	
Rocky Mountain	2.2.	38	Least Vulnerable

HOW INSULATED IS KANSAS—A COMPARISON

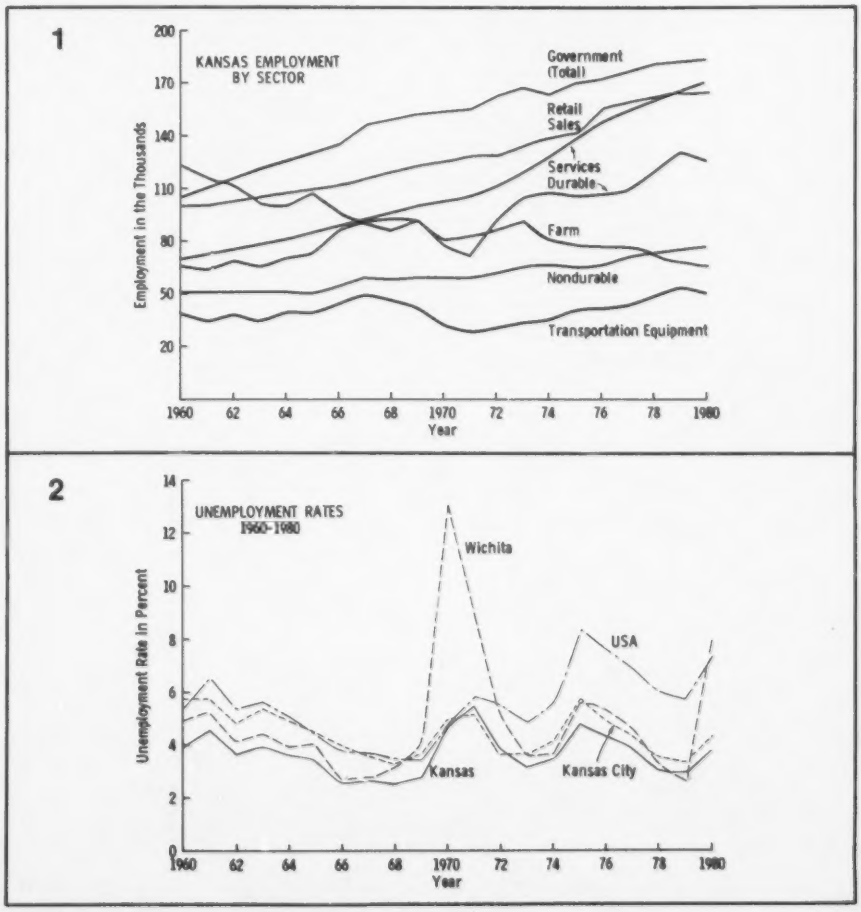
The data in Table A provides only a comparison between the Kansas and U.S. economies. But how does Kansas compare to the other states? In a 1973 article, the BEA determined the cyclical swing (see Table 1, column 3) for each state and ranked them accordingly. The time period examined was 1948:4 to 1970:3. With such a ranking we can see how Kansas relates to other states and thus get an idea of how recession proof the Kansas economy is using a comparison among other states. Kansas ranked 33rd and is classified as one of the moderately recession proof states.[11]

Table 2 contains data comparing regions. The Plains region (which includes Missouri, Kansas, Iowa, Oklahoma, Nebraska, and North and South Dakota) is quite insensitive. Of the states in that region, Missouri is most sensitive followed by Kansas (see Table B). North and South Dakota are actually countercyclical.[12]

Also listed in Table 1 are three growth rates for each state. One is the growth rate for the entire period (column 4). The other two are for the expansionary (column 1) and recessionary phases (column 2) within that period, respectively. It has been suggested that rapid growth and higher cyclical sensitivity go together. Economist George Borts found this to not be the case necessarily.[13] For example, some of the recession prone states (West Virginia, Illinois, Pennsylvania) also had relatively low growth rate (less than the national average) while some of the recession proof states (Colorado, Arkansas, Utah) had high growth rates. Borts did find, however, that "the combination of high growth rates and wide fluctuation and low growth rates and mild fluctuations are found more frequently than their opposites." Hence, growth rate information provides only an indication of an economy's stability.

The average growth rate of nonfarm income in Kansas during expansions was 7.1 percent and 3.3 percent during contractions. Its expansion growth rate ranked 32nd, its contraction rate ranked 23rd, and its growth rate over the entire cycle ranked 28th. Kansas' annual growth rate from 1948:4 to 1970:4 was identical to the nation's annual growth rate over the same period. The growth rate in Kansas, therefore, has been equal to the average growth rate for a state economy. However, Kansas' relative position drops during expansions to where its growth rate is approximately 4.0 percent below the average. During contractions, Kansas' relative position improved, and the nonfarm income growth rate was 74 percent above the average.

The recession prone states tended to have extreme contractions and about average expansions, while the recession proof states had very mild contractions and expansions which were somewhat less than the national average. Kansas certainly fits this description. Kansas, compared only with the recession proof states, is about average in its sensitivity to the national business cycle. Compared with all states, Kansas is one of the more insulated states.



LOCATIONS OF SENSITIVITY IN KANSAS

The analysis at the state versus local level is identical in method to the nation versus state level analysis. Unfortunately, quarterly income data for smaller economic units is not readily available. However, to get an indication of the sources of economic instability within the state a number of different approaches are possible.

Graph 1 plots the unemployment rates for several cities in Kansas. Clearly, Wichita has experienced wider fluctuations than most other parts of the state. Changes in annual income levels mirror the employment trend, and, again, Wichita shows the greatest fluctuation. This fact comes as no surprise. The Wichita economy has experienced greater swings in its business cycle than other localities in the state.

Assuming that the variance of the unemployment rate for an economy provides some insight into the stability of that economy, one can say the following: The Wichita economy is the least stable; the Kansas City and Topeka economies are slightly more stable than the state as a whole, and the smaller city economies tend to be the most stable. Hence, the Wichita economy introduces instability into the state economy while the smaller city economies tend to counter that influence. (see Table 3).

Table 3
Unemployment Rates: 1960-1980

Location	Average	Variance
USA	5.5	1.66
Kansas	3.7	.69
Wichita	4.6	2.57
Kansas City	4.5	.68
Topeka	3.9	.66
Lawrence	3.1	.85
Riley Co.	2.9	.19
Reno Co.	3.6	.62
Saline Co.	3.2	.48

Why Is Kansas Insensitive?

Having established a criterion for labeling a state recession proof and having found Kansas to fit that description, the question becomes one of identifying those features that contribute to an economy's relative stability. Kansas is relatively recession proof—insensitive to the national business cycle—because of the relatively small size of its manufacturing sector and because of the types of manufacturing within that sector. The cities are relatively sensitive because they are the industrial centers. The industrial centers, as a composite, are responsible for a state's degree of sensitivity. With this backdrop, it is possible to explain further why Kansas is relatively insulated from the ups and downs of the national economy.

TRANSMISSION—EXPORTS

How does a national recession arrive at the state level? Economist Rutledge Vining classified the forces affecting business conditions into four groups.[14] The first type of force "tends to act in an approximately uniform manner upon all parts of the nation and upon all segments of the economy." Examples of these forces are changes in individual spending, saving, and investment behavior. The second type of force depended on what Vining called "the character of the economy," or industrial composition. Different regions, depending on their industrial composition, will feel differently the effects of a nationwide change in economic behavior. Imagine, as an example, the interest rate being a national phenomenon. Changes in it will influence some regions more than others, depending on whether they contain interest-sensitive industries.

Closely related to industrial composition is the type of stimulus that initiates economic changes. For example, a national war effort provides a different type of stimulus than does a change in savings patterns.

The third type of force originates locally and is transmitted to other regions. An oft-cited example is the influence that retooling by Detroit manufacturers has on the neighboring economies. A fourth type of force influencing the business cycle is the kind that originate in and, for the most part, remain in a particular region.

In a critique of the Vining article, Frank Kidner claimed that the first two types of force were much more important because significant economic events are less isolated with respect to geographical origin or effect.[15] Thus, developments at the national level are generally more important than local developments and, consequently, do more to induce a business cycle. As Bort has said: " . . . the (business) cycle spreads among the states through the impact of changes in national demand upon each state's industry mix." Then, the business "cycle spreads within each state through the impact of the contraction in the state's key industries on demand for the products of its other industries."[16]

A state's key industries are generally the larger ones which are usually the state's key exporting industries as well. Vining speaks of "passive" and "carrier" industries.[17] The passive are located near or in their consumption market and take no part in the "mechanism of interregional transmission of economic shock." These industries respond to changes rather than start changes in, say, consumption behavior. The carrier industries are dependent upon external markets, primarily on the consumer income outside the region in which they are produced. Through the export industries, economic impulses are transmitted from region to region.

Little information is available on Kansas' exports of goods out of the state. Some data are available on what Kansas exports out of the United States, but virtually none exists on exports from the state that stay within the U.S. Vining estimates that 30 percent of a state's employees are engaged in producing that state's total export goods. The exact figure for Kansas is unknown, but 30 percent or less probably would be in the correct neighborhood for Kansas as well. The U.S. Department of Commerce estimates that in Kansas "one of every ten manufacturing jobs" depends on the *international* export of manufactured goods.[18]

If international and intranational exports are closely related, as far as the types of goods exported, then the following information will provide a rough idea of the total export picture in Kansas. The Department of Commerce found wheat and flour, transportation equipment, nonelectrical machinery, and manufactured food products to be the major international exports from Kansas. Transportation equipment accounted for the single largest share of manufacturing exports. Wheat and flour accounted for well over half the value of agricultural goods exported. Wichita is the leading export area in the state with the vast majority of its

export being transportation equipment. Kansas City is second, exporting mostly food and kindred products and electrical and nonelectrical machinery. Topeka also has considerable export employment.

Kansas ranked as the fifth largest agricultural and 31st manufacturing international exporter in the nation. Assuming these exports are representative of Kansas' intranational exports, it is fairly safe to say that the channels by which a national recession is transmitted to the Kansas economy are the durable and nondurable goods or, taken together, the manufacturing sector. This is true for other states almost without exception. For Kansas, most of the transmission is likely through the nondurable goods sector, which (as discussed below) is quite stable. The reason is that most nondurable goods are necessities—food and clothing.

TYPES OF INDUSTRY—THEIR SENSITIVITY

Several questions come to mind. How sensitive, in themselves, are the durable and nondurable goods sectors compared with the other industrial sectors? What are the relative sizes of each sector? Does Kansas have proportionally more or less of the more sensitive industries? And, then, what makes an industry sensitive?

The BEA determined postwar cyclical swing in nonfarm payrolls by industry (Table 4). The goods-producing industries (the first four in the ranking) along with transportation, public utilities, and communication had the largest cyclical swings compared with the service-producing industries (the last five in the ranking). The percent of the total nonfarm payroll also is listed for each industry in Table 4. From the initial distribution in 1948 to the final in 1979, most goods-producing sectors paid a smaller share of the total nonfarm payroll. Most service-producing industries increased their share, particularly the services and state and local government sectors. The BEA refers to these shares as "weights." The greater the weight of a given industry, the more likely its cycle will influence the general business cycle. This influence combined with the degree of sensitivity (cyclical swing) for a sector reflects the complete effect a specific sector has on the total all-industry swing.

Table 4
Cyclical Swing in Nonfarm Payrolls by Industry 1948:4-1979:4, United States

Rank	Industry	Cyclical Swing	Percent of Total Nonfarm Payrolls 1948	Percent of Total Nonfarm Payrolls 1979	Cyclical Swing in Total Nonfarm Payrolls Excluding the Specified Industry
	Total Nonfarm Payrolls	6.8	100	100	—
1	Durables Manufacturing	17.6	20.2	17.7	4.0
2	Construction	8.0	5.4	6.0	6.7
3	Nondurables Manufacturing	7.4	15.9	9.6	6.7
4	Mining	4.9	2.6	1.6	6.8
5	Transportation, Public Utilities, and Communication	4.9	10.4	7.8	6.9
6	Federal Government	4.6	6.6	6.2	6.9
7	Wholesale and Retail Trade	3.2	18.3	17.1	7.5
8	Services	2.6	9.8	15.8	7.3
9	Finance, Insurance, and Real Estate	2.3	3.9	5.5	6.9
10	State and Local Government	-.4	6.7	12.4	7.5

The last column of Table 4 lists the all-industry swing when a specific sector is excluded, e.g., the all-industry cyclical swing would be 4 if the durable goods sector were left out of the analysis and 7.5 if the trade sector were omitted. By comparing data in this list to the all-industry cyclical swing (6.8), it is possible to determine more precisely the combined effect on the total industrial swing of both the weight and swing of a given industry. For example, the difference between the cyclical swing excluding durables (4.0) and all the industrial cyclical swing (6.8) was 2.8 percentage points. This difference indicates that durable manufacturing substantially intensified the all-industry swing. Construction and nondurable manufacturing both intensified the all-industry cyclical swing, but only slightly. Mining maintained it, neither making it worse or better. The cyclical swing for mining is less than the all-industry swing, but its weight is so small that it had no dampening effect on the all-industry cyclical swing.

Wholesale and retail trade along with state and local government had the largest dampening effects; services was next. Though the location and age of a state's, say, durable goods sector may make it more or less sensitive than that sector is on the average (and these factors are discussed below), it is safe to say that the data in Table 4, which is national, is representative of the state situation as well.

SIZE

Kansas has a relatively small durable and nondurable goods sector. Approximately 12 percent of the employed work force in the state is employed in the durable goods sector and roughly 6.0 percent in the nondurable goods (Table 5). Both of these figures are relatively small. Kansas ranks about 26th and 29th nationally for its proportion of total employment in the durable and nondurable goods sectors, respectively. Kansas has about 20 percent of its employed work force in the trade sector. This proportion ranks about 10th nationally. Nearly 15.5 percent of the Kansas work force is employed by state and local government; this ranks about 16th. Hence, Kansas has relatively smaller proportions of its work force in the more sensitive industries and relatively more in the less sensitive industries, which for the most part tend to dampen the all- industry cyclical swing. The key export industries are generally concentrated in the durable and nondurable sectors.

The principal reasons for Kansas being recession proof are its relatively small manufacturing sector (and, thus, total export sector) combined with its having a relatively larger proportion of service employment (government and trade) which is usually more stable. Of

the durable goods industries in the state, there are more of the very sensitive types (e.g., transportation, electrical machinery) than of the insensitive (e.g., stone, clay, and glass). But of the nondurable goods industries, Kansas has more of the insensitive types (e.g., food and kindred products) than the sensitive (e.g., chemicals).

Graph 2 gives an idea of the relative size of each industrial sector in the state and the stability within each over the last two decades. The durable goods sector appears the most unstable relative to the others. The aircraft and part components of durable goods also was graphed. Most of the variability for durable goods has come from the aircraft industry. The agricultural sector is the only sector to have fewer employees at the end of 20 years. That sector also has been quite unstable. It has been assumed that there is little connection between the cycle in the farm sector and the general business cycle. A study exploring any such relationship might be useful, however, especially if the scope included the relation between institutional arrangements faced by the farmer and how these relationships change with the national business cycle.

Wichita employs over 42 percent of the state's durable goods employees, Kansas City nearly 19 percent, Reno County about 6.0 percent, and Topeka 3.0 percent (Table 6). Wichita employs over 93 percent of the aircraft and parts workers. Table 6 shows where most of the more and less sensitive types of employment are located. Note the balance between the more and less sensitive sectors for Kansas City, Topeka, and Lawrence. For Wichita, the ratio of more sensitive to less approaches two. Wichita is the most sensitive city in Kansas because of its industrial composition and because most of the state's sensitive type of employment is there. The people of Wichita are the most likely, and usually the first, to feel the effects of a national recession (due to its high concentration of export related employment in the sensitive industries). Their situation will explain to a large extent why Kansas is influenced by the national business cycle. The other sectors within the state will dampen or possibly even counter the situation in Wichita, enabling the state, as a whole, to remain recession proof.

Table 5
Kansas Employment
Percent of Employed Civilian Labor Force—1979

Farm	5.6			
Nonfarm	94.4			
Manufacturing		17.84		
Durable			11.85	
Stone-Glass-Clay				.89
Primary Metals				.47
Fabricated Metals				1.30
Machinery				3.37
Transportation Equip.				4.64
Aircraft and Parts				3.78
Other				1.18
Nondurable			6.09	
Food and Kindred				2.16
Meat Products				.86
Dairy				.27
Grainmeal				.34
Apparel				.33
Printing and Publishing				1.45
Chemicals				.78
Petro. and Coal				.39
Other				.98
Mining			1.25	
Oil and Gas Extraction				.99
Construction			4.60	
Trade			20.47	
Wholesale				5.57
Retail				14.90
Trans-Comm.-Public Utilities			5.93	
Railroad				1.37
Trucking and Warehousing				1.81
Elect-Gas-Sanitary				.75
Finances			4.15	
Services			14.93	
Government			16.49	
Local				2.57
Federal				13.92

Table 6
Percent of State Employment by Sector in Cities

Sector		Wichita	KC	Topeka	Lawrence
Durable Goods	More	42	18	3	1
Nondurable Goods	Sensitive	17	23	14	6
Trade	Less	20	24	9	3
Government	Sensitive	13	14	12	6

WHY IS THE MANUFACTURING SECTOR SENSITIVE?

Following is a brief discussion of factors that contribute to some sectors being more sensitive than others. The three most sensitive industries are durable goods, construction, and nondurable goods. The three industries are highly interrelated. Within the durable goods sector, transportation equipment—more specifically, the automobile industry—is quite sensitive. Because the auto industry is the largest consumer of metals, the primary and fabricated metals industries suffer a downturn when auto sales

decline. The nondurable goods sector, because of the rubber and plastic industry, also will feel the changes in auto production. Residential construction is the most sensitive type of construction. When housing starts to fall, the lumber and wood, furniture and fixtures, and stone-clay-glass industries —all of which are durable goods industries—will slow down as well. The paint and textile goods industries—both nondurable—are also influenced by house construction.

The factors that make the auto and housing industries sensitive are well known. Consumption decisions on autos and houses are generally "postponable." Consumption of each usually involves financing; thus each is sensitive to interest rate movements. Once a recession starts (for whatever reason), consumers who may be uncertain of secure employment are generally more wary about making major purchases, even if interest rates are low. The durable goods construction industries produce big dollar items where demand is sensitive to such variable factors as interest rate and consumer outlook. Consequently, they tend to be the most sensitive industries and usually the first to be hit by a recession. They are, indeed, the recession prone industries.

Kansas has one of the more stable construction sectors (35 and 46 states had more sensitive construction sectors between 1973-1979 and 1948-1973, respectively). The auto industry in Kansas is relegated, for the most part, to the final assembly of the auto. Most auto-related industries are located outside Kansas. Thus, a slowing in car sales has a very small ripple effect in Kansas compared with the Great Lakes' state economies.

AGE AND COMPETITIVE ADVANTAGE

Another factor that influences cyclical swing is the age of a state's industrial structure, and closely related to the age factor is a factor called competitive advantage. The older factories within an industry are generally the first to be shut down or to cut back during a recession because they are usually the least productive. Therefore, regions having older plants or older industries will be relatively more cyclically sensitive. The capital stock in the Plains region is estimated to be near average age. The regions with the newest capital stocks (on average) are the Far West, Southwest, and Southeast regions. Having the oldest capital stocks are the Great Lakes and New England regions. The Plains region (including Kansas) fits somewhere in between.[19]

The current recession is too young to fully analyze its effect. The two most recent recessions point out how international developments can make the Kansas economy more or less vulnerable to the domestic condition.

Competitive advantage concerns types of goods produced in a state and how competitive those goods are in the marketplace. For example, states producing small autos have a competitive advantage over states producing large cars. Without question, states with a competitive advantage tend to be less cyclically sensitive.

Small private aircraft travel has gained in popularity as high gasoline prices have made it more competitive with auto travel. In this case, Kansas has a competitive advantage over states heavily involved in auto production because Kansas now produces a more competitive form of transportation. Yet, as a whole, Kansas has not attracted the new, highly competitive industries (computers and semiconductors, for example).[20]

POLICY IMPLICATIONS

In the short run, economic policy might be advisable that is designed to attract the competitive new industries to Kansas particularly to those areas containing older and, thus, more sensitive industries. Placing the competitive industries in such areas probably would do more to reduce the cyclical sensitivity of Kansas than placing them in areas where no industrialization currently exists, e.g., small rural towns. In other words, a development policy that replaces older industries will increase competitive advantage while reducing problems associated with cyclical sensitivity caused by older industries.

Yet, in the long term, all good things must come to an end. Industries rarely will maintain a competitive edge for more than a few decades before they become the competitively disadvantaged, so the search for those industries with a competitive edge begins anew. For instance, a new auto assembly plant for fuel efficient cars has its benefits, but its advantages differ from those of a comparable plant producing the latest computer technology.

The point is that not all new development (in manufacturing) is equal as far as cyclical sensitivity goes. Those industries with a competitive advantage will be the least sensitive. Although it is difficult to determine, a fair description of the Kansas economy, based on its industrial mix would be that its industrial structure has neither a competitive advantage or disadvantage. However, this situation may change as the transportation industry continues to change substantially from year to year. The possible development of mass transit systems or alternative forms of transportation would certainly initiate a significant change. Hence Kansas, with a fairly high proportion of its manufacturing sector producing transportation goods, may find itself with an industrial output structure that is less competitive in the world marketplace if such new developments are produced in other states.

Trends/Prognosis

As indicated earlier, the long-run trend shows Kansas becoming slightly less recession proof compared with the rest of the nation. This development is seen by the cyclical swing index being larger, on average, than 30 years ago. The increase is, however, slight.

The 1969-1970 recession had a great influence on the Kansas economy, in particular on Wichita's economy. This effect, of course, was due to the buildup and disarmament in Wichita's Vietnam War-related industries. Kansas withstood the 1973-1975 recession very favorably. The reasons are due mostly to foreign developments. Aircraft sales to foreign interests provided a strong stimulus to the manufacturing sector. The large grain deals in the early seventies bolstered the agricultural sector. Prices were high and excess reserves were depleted.

The current recession is too young to fully analyze its effect. The two most recent recessions point out how international developments can make the Kansas economy more or less vulnerable to the domestic condition.

That is, a single international development may initially affect the U.S. economy differently than the Kansas economy. And after such a development, the Kansas economy will remain fairly insulated from the domestic condition whether the national condition is good or bad.

Though Kansas is fairly well insulated from national conditions, it is possibly more vulnerable than the nation as a whole to certain international developments. For example, the escalation of the Vietnam War stimulated the U.S. economy. The build-up ended with the 1969-1970 recession, which was mild nationally in comparison with other recessions. Yet, Kansas experienced a considerably stronger expansion and contraction as a result of the war than the rest of the nation. The 1973-1975 recession on the national level was much worse than in Kansas. During that recession, strong international sales of aircraft and agriculture products bolstered the Kansas economy. These so called international "developments" (the war; the large grain and aircraft sales) have contributed both to Kansas' sensitivity (1969-1970) and insensitivity (1973-1975).

In these cases, it is apparent that the national and Kansas economies are influenced differently by common events.

Although Kansas is quite insulated from the national business cycle, a great deal of this insulation may depend on international occurrences and their relative influences on the national and Kansas economies. Assuming that the influence from international developments will be minimal in the future, it is safe to say that Kansas will remain quite recession proof. But failing this assumption and depending on the timing of such international developments with the national business cycle, it is difficult to predict what will occur in Kansas. Since the proportion of Kansas output shipped abroad is relatively high (Kansas ranks ninth nationally in the proportion of state output that goes overseas), the influence could be significant in either direction; that is, either more or less sensitive.

Most of a state's exports goods (both intra- and international) are produced in the manufacturing sector. As a proportion of total employment, Kansas has one of the smaller manufacturing sectors—ranking about 33rd nationally. This rank might indicate that Kansas is one of the smaller total exporters and, thus, one of the more insulated states, which it is. But because Kansas exports a significant amount of its produce overseas, it follows that the proportion of Kansas workers in the intranational export industries must be small. Hence, this small intranational export sector and large international export sector explains why Kansas is recession proof (insulated from the national business cycle) and, at the same time, possibly more sensitive to international developments. This is a possible explanation for Kansas' erratic economic performances in the two 1970s recessions, both departures from the 1948-1969 trend. That trend showed Kansas to be consistently recession proof during all the post war recessions, with a cyclical swing index averaging near 71 (see Table A). The cyclical swing indexes for the last two recessions were significantly different from the previous indexes.

The Kansas economy is one of the more stable state economies in the nation.

Ignoring the recent international trade developments referred to above, proportional employment figures show that Kansas has a slightly smaller proportion of employment in the highly sensitive manufacturing sector (down about 4.0 percent) and a larger proportion in the less sensitive service (trade and local government) sector (up about 9.0 percent) than 20 years ago. This trend has been going on in all states. Relative to other states, Kansas' employment proportions are about the same. Even though employment is higher in the more stable sectors, it is unlikely Kansas will be more recession proof. Our comparative advantage, in this respect, has not changed.

As far as the future goes, there is little to go on because international situations can dramatically influence Kansas' economy. Again, Kansas economy appears quite susceptible to changes in international trade conditions in that nearly 16 percent of its output is shipped overseas. Most of the export goods are agricultural which, generally, have a steady demand pattern less influenced by the business cycle, but more influenced by weather conditions around the world. Excluding international trade considerations, it is likely Kansas will remain relatively recession proof.

Economic policy designed to attract the sensitive manufacturing industries would change that. A drastic change, however, is not likely. Attracting the manufacturing industries that have a competitive advantage already established might even result in Kansas becoming less sensitive, at least in the short run. Yet, in the long run, such a policy might increase Kansas' sensitivity if the attempt to attract the new competitive industries is not continued over time.

Conclusions

The Kansas economy is one of the more stable state economies in the nation. It is quite insulated from the national business cycle, thus making it relatively recession proof. The effect of a national recession will be felt in Kansas, particularly in Wichita, but, on average, Kansas will be less affected than most other states.

The most important reason for Kansas being recession proof is its relatively small manufacuring sector. Some states have more than 40 percent of their work force in the manufacturing production sector; Kansas has only about 20 percent. States with manufacturing sectors larger (or smaller) than Kansas are usually more (or less) sensitive to the national business cycle than Kansas. The manufacuring sector for the entire nation is larger proportionally than for Kansas, and, therefore, Kansas' economy on average is likely to be more stable than the national economy.

Yet within the state there are cities that may or may not be recession proof. A good deal depends on the nature of the recession (i.e., what caused it). Wichita is the most sensitive urban area in the state. Kansas City and Topeka are much less sensitive and are comparable to each other. The identification of sensitive regions within the state and those industries peculiar to those regions helps to highlight areas where extra help may be needed during a recession.

Goods produced in the state and sold out of state are the key link between the Kansas economy and the national economy. Knowing the proportion of employment that is export-

related within each type of industry would give a better picture of how strong the link is between that industry and external economies. For example, Wichita produces a high proportion of durable goods, and it is likely almost all of that production is exported, whereas it is likely a smaller proportion of Kansas City's durable goods production is exported. Again, more export information, particularly regarding domestic exports, would help identify the degree of relation between the city or state and the rest of the nation. Foreign export information is available, but the factors influencing foreign exports are more difficult to gauge than those affecting the domestic exports.

Footnotes

1. A recession is defined as that period of time when the growth rate of Gross National Product (GNP) has declined for at least two consecutive quarters. References to a recession are commonly statements about the national economy. However, the term is descriptive of disaggregated economies as well.

2. A depression is a recession in which the unemployment rate is above 10 percent. The unemployment for Michigan stood at 12 percent for the month of December 1980.

3. In general, a business cycle is a trend that captures both a decline and an increase in economic activity within some time period. "Economists conceptually divide business cycles into two parts. The contraction phase refers to the downturn in economic activity [which becomes a recession if it lasts for two consecutive quarters] beginning at a 'peak' and continuing until a 'trough.' The recovery or expansionary phase begins at the trough and persists until the next peak." Paul E. Polzin, *Montana Quarterly;* Winter 1977.

4. This is the method used by the Bureau of Economic Analysis (BEA). See *Survey of Current Business,* H.F. and R.B., April 1973, pp. 22-23.

5. See also, "Technical Note" in *Survey of Current Business,* H.F. and R.B., May 1980, p. 27.

6. The BEA determines a measure of "cyclical swing." Cyclical swing is defined as "the difference between 1) the percentage-point difference between the mean quarterly percent change in the expansion(s) and the mean quarterly percent change in the whole cycle(s) and 2) the percentage-point difference between the mean quarterly percent change in the recession(s) and the mean quarterly percent change in the whole cycle." The swing is "equivalent to the differences between two mean deviations from trend."

7. "Farm income is excluded from the analysis because cyclical changes in farm income have been masked by changes in the weather and other factors not related to the business cycle" (BEA). The Institute for Economic and Business Research determined the cyclical for Kansas for both nonfarm and farm income from 1969:3 to 1979:4. The cyclical swing for nonfarm income was 2.5, and the cyclical swing for farm income was 28.9. The cyclical swing for the total income was 3.6. Thus, the farm income tends to exacerbate the state business cycle but in a generally non-systematic way.

8. With the national business cycle, the contractionary phase is defined by the periods when the U.S. economy is officially in a recession. One quarter declines are contained within the recovery phase of the business cycle.

9. See Survey of Current Business, H.F. and R.B., April 1973, pp. 22-27.

10. Results from this study can be found in the *Economic Review,* Federal Reserve Bank of Kansas City, pp. 11-19.

11. The classifications used in Table One are defined as follows. Of the recession prone states, those with an index measure greater than the average index measure of that group are classified as highly recession prone; those states with index measures below are moderately recession prone. The classifications for the recession proof states are determined in the same way except the average index of the recession proof states is the basis for demarcation.

12. The Dakota states have had higher rates of nonfarm income growth during periods of national recession than in periods of national recovery. At least this was the case between 1948:4 and 1970:4.

13. See George Borts, "Regional Cycles of Manufacturing Employment in the United States, 1914-1953," *American Statistical Association Journal,* March 1960, pp. 151-170.

14. See Rutledge Vining, "The Region as an Economic Entity and Certain Variations to be Observed in the Study of Systems in Regions," *American Economic Review,* May 1949.

15. Same as above.

16. Borts, 1958, pp. 151-153; 170-176.

17. Vining, 1949, pp. 256-257.

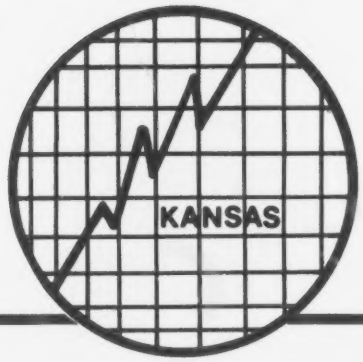
18. See *Kansas Exports,* U.S. Dept. of Commerce, Nov. 1978.

19. The capital stock in Kansas is most likely newer than the national average as evidenced by it being ranked 14th nationally in the growth in value added in the manufacturing sector from 1970 to 1979.

20. Other factors affecting relative sensitivity include proximity to supply and sales markets. The closer an industry is to its input and output markets, the more likely it will be less sensitive than a similar industry located far from one or both of its markets.

Regions differ in energy prices, wages, interest rates. Those states with higher costs suffer an additional structural drag to regional employment and, therefore, suffer a greater cyclical swing. Factors closely related to this are strength of unions, right to work legislation, interest rate ceilings, local taxes, and local regulation (pollution control, for example). These secondary factors are of minor importance, especially after industrial mix is determined. It is possible that industrial mix is determined by the above factors, but by themselves they yield less information on a state's relative sensitivity than does industrial composition alone.

The Kansas Economy



General Business

Ambiguity characterized the performance of the U.S. economy in January. Several factors showed declines that were not severe enough to predict a recession. Other indexes increased but at rates below what one might expect during a healthy economic expansion. As Commerce Department Economist Felix Tamm was quoted as saying in reference to January's index of leading economic indicators, the results were "definitely inconclusive."

That index declined 0.4 percent in January after December's 0.9 percent drop. These declines certainly didn't promise an economic boom, but they weren't big enough to foretell a decline. Some of the index details reflected the ambiguity, with the average work week and the number employed rising as the layoff rate increased.

These dual woes of high inflation and economic stagnation brought a resurrection of the word "stagflation" to the business press. This year's carryover of 1980's record high interest rates have added to the confusion and uncertainty caused by the other economic factors.

A look at various economic components reveals the ambiguity of the situation. On the negative side in January:

—Durable goods orders fell an adjusted 2.2 percent to $80.88 billion in the first monthly decline since August.

—The Conference Board's index of help-wanted advertising fell two points from December.

—New factory orders fell 0.3 percent during January to a seasonally adjusted $161.63 billion after a 2.1 percent rise in December to $162.16 billion. The decline was the first since last May.

—Auto sales fell. (In mid-February they were down 23 percent to an estimated 167,487 units.)

None of these measures signaled disaster, and none promised a bright economic future.

Similarly, figures on the positive side were of little encouragement:

—The U.S. Consumer Price Index rose only 0.8 percent from December for an annual rate increase of only 10.0 percent, well below some of last year's increases.

—The size of the civilian labor force rose 476,000 to 105.54 million.

—The factory work week continued its rise and was up 0.3 hours from December.

—The unemployment rate held steady at 7.4 percent (the same as in December.)

—Sales of new single-family dwellings rose 0.2 percent in January to an annual rate of 514,000.

Predictions that might be called from the plethora of apparently conflicting information depend in large part on the relative weight an analyst prefers to give an individual indicator.

Although the economic data from January is just recently available, events that have transpired since then should help to fill out the forecasted economic picture. For example, the prime rate has continued to fall, auto sales improved under the influence of massive rebate programs, and the U.S. Senate approved President Reagan's budget cuts, which also require the House's approval. Unfortunately, these items leave the future as uncertain as previously. Extrapolating from current and past information, particularly when it isn't even definitive about the present, is risky. One might look, however, at possible consequences of January's economic movement. For example, the continued decline of the prime interest rate could bring interest rates down on consumer loans and mortgage loans. Such declines could help boost investment in consumer durables and housing, two manufacturing sectors hit hard by interest-rate jumps. Such increases in investment can carry throughout the economy as increased consumer investment prompts increased production prompting increased employment. Whether such a scenario takes place relies to a large extent on the expectations of consumers as well as of institutional investors. If investors remain cautious, unwilling to commit themselves to long-term borrowing contracts in hopes of further interest-rate declines or lower expected rates of inflation, a continual sluggish economy is likely.

The Kansas economy, as the national economy, has been sluggish. The average work week and average weekly earnings, which had been increasing steadily since July, fell in January. The average work week was down to 40.8 hours from December's 42.0 hours, a drop of 2.9 percent. Average weekly earnings also fell, from $321.72 in December to $314.16 in January, a drop of 2.3 percent. Both of these figures, however, remained strong in comparison with the average for 1980 and for the preceeding six months. Exhibiting its own apparently conflictual economic data for January, Kansas' employment-insurance claims situation improved, with a 2.2 percent decline in initial claims from 13,944 in December to 13,642. New incorporations, meanwhile, took a big decline, with in-state for profit incorporations down 52.1 percent to 311, which is close to the average for 1980. Out-of-state incorporations dipped 6.9 percent to 121 for the month and remained far ahead of the preceding six-month and 1980 averages (Table I).

Employment

In line with the decline of the average work week was the decline in total employment by place of work which fell 1.8 percent to 940,800 in January from December's 956,800 level for a second consecutive monthly decline. This total compares with 947,700 a year ago (Table II).

For the month, employment declined or held steady in nearly every industrial sector. Again showing the biggest decline was contract construction, down 7.2 percent from December and 13.1 percent from January 1980, despite this past winter's unusually mild weather. As previously noted, construction is an industry hit hard when interest rates rise, and the January employment levels no doubt reflect the record high rates late in 1980. It also should be noted that 1979 and 1980 were very good years on the whole for contract construction in Kansas, thus producing a relatively high basis for comparison with 1981's performance. With the prime on the decline and with mortgage interest rates in the state tied to the prime, it is reasonable to expect mortgage lending and contract construction to gain speed.

Also showing a sizeable employment decline was retail trade. The 4.5 percent drop in the unadjusted figures is typical in retailing which reduces its sales force after the holiday season. This is demonstrated by the much smaller 0.8 percent decline from year ago levels.

Although no sector showed a gain greater than 3 percent from December, good news could be found in the employment figures, in that employment held steady in some industries, notably transportation equipment and aircraft and part manufacturing, that have a sizeable impact on Kansas employment.

Data for employment by residence shows another decline in the total size of the civilian labor force from 1.209 million to 1.184 million. And while the total number employed declined 2.2 percent for the month, the number employed fell 14.6 percent. The result was that the statewide unemployment rate rose from 4.0 percent in December to 4.1 in January.

Looking at the individual geographic areas, the Lyon County-Emporia area and the Wichita SMSA showed the greatest increase in unemployed workers, with increases of 6.5 percent and 6.3 percent respectively. The Reno County-Hutchinson area again had the highest umemployment rate of the state at 6.2 percent, up from December's 5.7 percent level. The Barton County-Great Bend area again took honors as having the lowest umemployment rate of the state. But Barton County's rate, like rates across the state, increased for January to 2.4 percent from December's 1.9 percent level.

Retail Sales

Six classifications of retail sales tax collections showed gains for the three months ended in January as compared with year-ago levels, and six classifications fell (Table IV). Showing the biggest increases were tax collections on miscellaneous goods, up 69.6 percent, and on public utilities, up 31.7 percent. The rise in public utility tax collections is at least in part a result of rate increases for gas, electricity and telephone services. The greatest decline, down 9.1 percent from a year ago, was in farm and garden products.

Sales taxes taken on a county by county basis (Table V) showed declines in most counties, with Greeley County's 30.9 percent drop the largest. Of the counties that showed increases, Edwards County led with a 25.6 percent rise.

All of the four major centers of retail trade experienced declines in retail sales when compared with the previous year: Johnson County was down 0.5 percent; Sedgwick County, 1.3 percent; Shawnee County, 4.2 percent; and Wyandotte County, 1.6 percent.

Farm Prices

Nationally, the U.S. Agriculture Department's index of prices received by farmers was 264 percent of the January-December 1967 average. A modest decline had been registered by mid-February as a result of lower prices for soybeans, wheat, oranges, cotton and cattle. The index of prices paid by farmers was 299 in January and up to 300 by mid-February, mostly due to increased fuel prices. Both February indexes were 10 percent higher than in 1980.

Kansas farmers, however, tended to improve their position in January (Table VI). Prices received for all field crops were substantially above year-ago levels, although wheat showed a relatively small gain of 8.9 percent. Declines from December for sorghum, hay and soybeans may have simply reflected some settling down in the market which experienced large increases over the past several months as a result of last summer's drought, sales to China and droughts elsewhere. These boosts were partly offset by hikes in prices paid by farmers. All the products followed by the *Kansas Business Review* demanded prices more than 17 percent higher than a year ago. As compared with December, however, the farmers did fairly well, as no increases were registered in any other of the listed products. Prices held steady on beef concentrate and laying feed, and declined on soybean meal, bran, dairy feed and hog concentrate.

Livestock farmers, feeling the brunt of the increased prices demanded, did not receive price increases like those recorded for crops. As compared with January 1980, prices were up 16.0 percent and 11.7 percent respectively for hogs and milk. Showing double-figure price declines, however, were calves, lamb and sheep.

Financial Activity

The deposit situation for banks in the state improved markedly in January after December's decline in deposits (Table VII). For all Kansas banks (members and non-members of the Federal Reserve System), time and savings deposits were up 18.5 percent from December and 12.2 percent from January 1980. One possible explanation for this increase is that interest-paying checking accounts, which became available in January, are classified by the Fed as time and savings deposits. Coupled with a slight decline in loans from December, the statewide loan to deposit ratio consequently declined from 65.8 percent to 59.2 percent. The figure also was down from the year-ago 62.9 percent level.

Member banks were bigger gainers of deposits, with time and savings deposits up 21.6 percent from December (12.2 percent from January 1980) and with a small increase in loan activity, up 0.1 percent from December and 1.2 percent from January 1980. Member banks' loan-to-deposit ratio fell to 58.6 percent.

Kansas City, Kansas, banks witnessed the greatest increases in time and savings deposits as compared with December, as the levels rose 28.4 percent across all banks and 34.1 percent for member banks. These increases led the Kansas City, Kansas banks to make up for 1980's sizeable withdrawals. Wichita banks showed the greatest rise in loan activity from year-ago levels, up 3.0 percent for all banks and 2.9 percent for member banks.

Mortgage loan activity at savings and loan associations jumped 28.8 percent as compared with January 1980 (Table VIII). While January 1981's $56.7 million level was 28.3 percent below December's surprisingly high level, the activity would seem to indicate that the savings and loan associations may be recovering from the buffeting they took in last year's erratic interest rates. With different loan instruments being made available to these institutions, the savings and loans will be able to diversify their loan portfolios so as to be less vulnerable to short-term economic movements.

TABLE I
GENERAL BUSINESS INDICATORS

	Jan. 1981	Dec. 1980	% change	Avg. Prior 6 mos.	Annual Avg. 1980
Manufacturing					
Average Work Week (hrs.)	40.80	42.00	– 2.9	40.80	40.70
Average Weekly Earnings (dollars)	314.16	321.72	– 2.3	307.25	240.99
Initial Claims for Unemployment Insurance	13,642.00	13,944.00	– 2.2	12,022.00	8,082.00
New Incorporations					
In-State For Profit	311.00	649.00	– 52.1	433.00	336.00
Out-of-State For Profit	121.00	130.00	– 6.9	107.00	88.00

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

Kansas Secretary of State

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK
(thousands)

Industry	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
All Industries	940.0	956.8	– 1.8	947.7	– 0.8
Manufacturing	185.3	185.9	– 0.3	199.7	– 7.2
Durable Goods	119.2	119.6	– 0.3	133.2	– 10.5
Stone, Clay, Glass	7.3	7.5	– 2.7	8.9	– 18.0
Primary Metals	3.8	3.7	2.7	4.2	– 9.5
Fabricated Metal Products	11.8	12.1	– 2.5	13.4	– 11.9
Machinery (incl. elec.)	33.7	33.7	0.0	38.4	– 12.2
Transportation Equipment	50.5	50.5	0.0	56.1	– 10.0
Aircraft & Parts	43.2	43.2	0.0	45.7	– 5.5
Other Durable Goods	12.1	12.1	0.0	12.2	– 0.8
Nondurable Goods	66.1	66.3	– 0.3	66.5	– 0.6
Food & Kindred Products	22.9	23.2	– 1.3	22.7	0.9
Meat Products	8.6	8.8	– 2.3	9.3	– 7.5
Apparel	3.2	3.3	– 3.0	3.5	– 8.6
Printing & Publishing	16.3	16.2	0.6	17.1	– 4.7
Chemicals	8.7	8.7	0.0	8.8	– 1.1
Petroleum & Coal	5.1	5.0	2.0	4.4	15.9
Other Nondurable	9.9	9.9	0.0	10.0	– 1.0

TABLE II
NON-FARM WAGE AND SALARY EMPLOYMENT BY PLACE OF WORK (Continued)
(thousands)

Mining	15.8	15.6	1.3	14.2	11.3
Oil & Gas Extraction	14.0	13.7	2.2	12.6	11.1
Contract Construction	39.9	43.0	– 7.2	45.9	– 13.1
Trans., Comm., Elec., Gas	63.5	64.0	– 0.8	65.1	– 2.5
Wholesale Trade	65.1	65.4	– 0.5	64.4	1.1
Retail Trade	161.4	169.0	– 4.5	162.7	– 0.8
Finance, Insurance, Real Estate	47.1	47.3	– 0.4	46.1	2.2
Services	172.0	173.6	– 0.9	167.0	3.0
Federal Government	26.2	26.6	– 1.5	26.2	0.0
State & Local Government	163.7	166.4	– 1.6	156.4	4.7

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS

Area	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Kansas—Statewide					
Civilian Labor Force	1,184,700	1,209,500	– 2.1	1,192,000	– 0.6
Employed	1,135,700	1,161,500	– 2.2	1,147,900	– 1.1
Farm	46,800	50,400	– 7.1	47,900	– 2.3
Non-Farm	1,091,500	1,111,100	– 1.8	1,100,000	– 0.8
Unemployed	49,000	48,000	– 14.6	44,100	– 7.0
Rate	4.1%	4.0%		3.7%	
Lawrence SMSA					
Civilian Labor Force	34,700	35,400	– 2.0	34,600	0.3
Employed	33,200	33,900	– 2.1	33,200	0.0
Farm	600	600	0.0	600	0.0
Non-Farm	32,600	33,300	– 2.1	32,600	0.0
Unemployed	1,500	1,500	0.0	1,400	7.1
Rate	4.3%	4.2%		4.0%	
Kansas Portion of Kansas City SMSA					
Civilian Labor Force	266,700	269,400	– 1.0	265,400	0.5
Employed	254,100	257,300	– 1.2	255,100	– 0.4
Farm	1,000	1,100	– 9.1	1,100	– 9.1
Non-Farm	253,100	256,200	– 1.2	254,000	– 0.4
Unemployed	12,600	12,100	4.1	10,300	22.3
Rate	4.7%	4.5%		3.9%	
Topeka SMSA					
Civilian Labor Force	93,400	94,300	– 1.0	93,800	– 0.4
Employed	88,300	89,400	– 1.2	89,500	– 1.3
Farm	1,400	1,500	– 6.7	1,400	0.0
Non-Farm	86,900	87,900	– 1.1	88,100	– 1.4
Unemployed	5,100	4,900	4.1	4,300	18.6
Rate	5.5%	5.2%		4.6%	
Wichita SMSA					
Civilian Labor Force	223,100	225,400	– 1.0	221,600	0.7
Employed	214,700	217,500	– 1.3	215,100	– 0.2
Farm	1,900	2,000	– 5.0	1,900	0.0
Non-Farm	212,800	215,500	– 1.3	213,200	– 0.2
Unemployed	8,400	7,900	6.3	6,500	29.2
Rate	3.8%	3.5%		2.9%	

TABLE III
EMPLOYMENT—UNEMPLOYMENT DATA FOR KANSAS, STATE AND AREAS (Continued)

Area	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Barton Co.—Great Bend Area					
Civilian Labor Force	17,750	18,050	– 1.7	17,475	1.6
Employed	17,325	17,700	– 2.1	16,950	2.2
Farm	675	750	– 10.0	700	– 3.6
Non-Farm	16,650	16,950	– 1.8	16,250	2.5
Unemployed	425	350	21.4	525	– 19.0
Rate	2.4%	1.9%		3.0%	
Crawford Co.—Pittsburg Area					
Civilian Labor Force	16,450	17,050	– 3.5	16,325	0.8
Employed	15,500	16,150	– 4.0	15,575	– 0.5
Farm	625	675	– 7.4	650	– 3.8
Non-Farm	14,875	15,475	– 3.9	14,925	– 0.3
Unemployed	950	900	5.6	750	26.7
Rate	5.8%	5.3%		4.6%	
Lyon Co.—Emporia Area					
Civilian Labor Force	17,400	17,825	– 2.4	17,475	– 0.4
Employed	16,575	17,050	– 2.8	16,850	– 1.6
Farm	625	650	– 3.8	625	0.0
Non-Farm	15,950	16,400	– 2.7	16,625	– 4.1
Unemployed	825	775	6.5	625	32.0
Rate	4.7%	4.3%		3.6%	
Montgomery Co.—Coffeyville Area					
Civilian Labor Force	20,800	21,050	– 1.2	21,175	– 1.8
Employed	19,975	20,250	– 1.4	20,450	– 2.3
Farm	450	475	– 5.3	450	0.0
Non-Farm	19,525	19,775	– 1.3	20,000	– 2.4
Unemployed	825	800	3.1	725	13.8
Rate	4.0%	3.8%		3.4%	
Reno Co.—Hutchinson Area					
Civilian Labor Force	30,275	30,975	– 2.3	31,675	– 4.4
Employed	28,400	29,200	– 2.7	30,550	– 7.0
Farm	1,000	1,050	– 4.8	1,000	0.0
Non-Farm	27,400	28,150	– 2.7	29,550	– 7.3
Unemployed	1,875	1,775	5.6	1,125	66.7
Rate	6.2%	5.7%		3.6%	
Riley Co.—Manhattan Area					
Civilian Labor Force	20,675	21,575	– 4.2	20,900	– 1.1
Employed	19,725	20,650	– 4.5	19,975	– 1.3
Farm	800	850	– 5.9	800	0.0
Non-Farm	18,925	19,800	– 4.4	19,175	– 1.3
Unemployed	950	925	2.7	925	2.7
Rate	4.6%	4.3%		4.4%	
Saline Co.—Salina Area					
Civilian Labor Force	26,225	26,850	– 2.3	26,375	– 0.6
Employed	24,975	25,625	– 2.5	25,275	– 1.2
Farm	525	550	– 4.5	525	0.0
Non-Farm	24,450	25,075	– 2.5	24,750	– 1.2
Unemployed	1,250	1,225	2.0	1,100	13.6
Rate	4.8%	4.6%		4.2%	

Source: Research and Analysis Section
Division of Staff Services
Kansas Department of Human Resources

TABLE IV
RETAIL SALES SUBJECT TO SALES TAX BY BUSINESS CLASSIFICATION
(millions of dollars)

Business Classification	Jan. * 1981	Oct.* 1980	% change	Jan.* 1980	% change
Apparel	34.0	27.4	24.1	32.0	6.3
Automotive	191.4	206.0	– 7.1	199.1	– 3.9
Food	233.3	264.0	– 11.6	245.3	– 4.9
Furniture	44.7	43.4	3.0	45.2	– 1.1
General Merchandise	167.4	146.8	14.0	151.9	10.2
Lumber and Building Materials	89.4	94.1	– 5.0	98.0	– 8.8
Professional and Personal Service	43.3	47.4	– 8.6	43.1	0.5
Public Utilities	57.3	44.9	27.6	43.5	31.7
Unclassified	98.8	108.3	– 8.8	100.5	– 1.7
Farm and Garden Products	1.0	0.9	11.1	1.1	– 9.1
Manufacturing and Trading	87.8	88.1	– 0.3	81.7	7.5
Miscellaneous	3.9	3.3	18.2	2.3	69.6
Total	1053.0	1075.0	– 2.0	1044.1	0.9

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY
(thousands of dollars)

County	Sales * Jan. 1981	Sales * Oct. 1980	Change From Oct. 1980 (%)	Sales * Jan. 1980	Change From Jan. 1980 (%)
Allen	5,048	5,165	– 2.2	5,341	– 5.4
Anderson	2,049	2,261	– 9.4	2,581	– 20.6
Atchison	4,745	4,464	6.3	5,064	– 6.3
Barber	2,583	2,709	– 4.7	2,646	– 2.4
Barton	29,931	29,665	0.9	24,653	21.4
Bourbon	5,241	5,402	– 3.0	5,749	– 8.8
Brown	3,309	3,456	– 4.3	3,710	– 10.8
Butler	16,240	19,206	– 15.4	16,160	0.5
Chase	895	798	12.2	824	8.6
Chautauqua	1,532	1,374	11.5	1,210	26.6
Cherokee	3,818	4,191	– 8.9	4,530	– 15.7
Cheyenne	1,498	1,522	– 1.6	1,402	6.8
Clark	616	652	– 5.5	686	– 10.2
Clay	2,988	3,081	– 3.0	3,207	– 6.8
Cloud	4,608	4,543	1.4	4,695	– 1.8
Coffey	2,239	2,253	– 0.6	2,344	– 4.5
Comanche	600	651	– 7.8	614	– 2.2
Cowley	13,473	14,851	– 9.3	13,718	– 1.8
Crawford	11,435	13,145	– 13.0	12,768	– 10.4
Decatur	1,604	1,841	– 12.9	1,639	– 2.1
Dickinson	5,532	5,894	– 6.1	5,898	– 6.2
Doniphan	1,935	1,852	4.5	2,118	– 8.6
Douglas	22,892	23,004	– 0.5	23,899	– 4.2
Edwards	1,314	1,046	25.6	1,147	14.6
Elk	587	630	– 6.8	685	– 14.3
Ellis	14,610	14,921	– 2.1	13,428	8.8
Ellsworth	1,787	2,220	– 19.5	1,931	– 7.4

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Jan. 1981	Sales * Oct. 1980	Change From Oct. 1980 (%)	Sales * Jan. 1980	Change From Jan. 1980 (%)
Finney	16,397	16,832	– 2.6	15,703	4.4
Ford	14,732	15,452	– 4.7	15,147	– 2.7
Franklin	6,267	6,573	– 4.6	7,093	– 11.6
Geary	8,287	8,862	– 6.5	8,384	– 1.2
Gove	1,353	1,484	– 8.8	1,310	3.3
Graham	1,926	1,880	2.4	1,714	12.3
Grant	3,771	3,949	– 4.5	3,647	3.4
Gray	2,114	1,792	17.9	1,792	18.0
Greeley	538	779	– 30.9	530	1.5
Greenwood	3,003	3,174	– 5.4	2,945	2.0
Hamilton	667	846	– 21.1	792	– 15.8
Harper	2,831	3,216	– 12.0	2,874	– 1.5
Harvey	8,838	9,436	– 6.3	9,744	– 9.3
Haskell	1,180	1,309	– 9.9	1,112	6.1
Hodgeman	348	412	– 15.5	389	– 10.7
Jackson	2,011	2,285	– 12.0	2,393	– 16.0
Jefferson	3,325	2,816	18.1	2,759	20.5
Jewell	1,031	1,059	– 2.6	935	10.3
Johnson	126,302	125,339	0.8	126,891	– 0.5
Kearny	599	748	– 19.9	762	– 21.3
Kingman	2,285	2,758	– 17.1	2,768	– 17.5
Kiowa	1,410	1,643	– 14.2	1,461	– 3.5
Labette	7,803	8,282	– 5.8	8,564	– 8.9
Lane	864	815	6.0	889	– 2.9
Leavenworth	12,130	11,800	2.8	12,098	0.3
Lincoln	1,093	1,259	– 13.2	1,195	– 8.5
Linn	1,702	1,711	– 0.4	1,881	– 9.5
Logan	1,824	1,894	– 3.7	2,058	– 11.3
Lyon	13,661	13,833	– 1.2	14,523	– 5.9
McPherson	9,778	10,256	– 4.7	10,114	– 3.3
Marion	3,602	3,713	– 3.0	3,978	– 9.5
Marshall	3,792	3,849	– 1.5	4,251	– 10.8
Meade	1,419	1,523	– 6.8	1,513	– 6.2
Miami	5,982	6,002	– 0.3	6,332	– 5.5
Mitchell	3,463	3,923	– 11.7	3,878	– 10.7
Montgomery	16,798	16,595	1.2	16,072	4.5
Morris	1,374	1,440	– 4.6	1,503	– 8.6
Morton	1,452	1,476	– 1.6	1,242	16.9
Nemaha	3,184	3,420	– 6.9	3,553	– 10.4
Neosho	8,980	9,316	– 3.6	8,340	7.7
Ness	2,356	2,277	3.5	1,952	20.7
Norton	2,287	2,527	– 9.5	2,300	– 0.6
Osage	2,923	3,136	– 6.8	3,401	– 14.0
Osborne	1,783	2,048	– 12.9	1,696	5.1
Ottawa	1,117	1,438	– 22.3	1,251	– 10.7
Pawnee	3,136	3,271	– 4.1	3,116	0.6
Phillips	2,664	2,573	3.5	2,735	– 2.6
Pottawatomie	4,837	5,050	– 4.2	4,808	0.6
Pratt	5,185	5,539	– 6.4	5,451	– 4.9
Rawlins	1,225	1,123	9.1	1,066	15.0
Reno	29,045	29,584	– 1.8	30,324	– 4.2
Republic	2,274	2,293	– 0.8	2,605	– 12.7
Rice	3,450	3,468	– 0.5	3,173	8.7
Riley	14,753	15,301	– 3.6	15,878	– 7.1
Rooks	4,820	4,360	10.5	3,692	30.5

* Monthly Average for Prior Three Months

TABLE V
RETAIL SALES SUBJECT TO SALES TAX BY COUNTY (Continued)
(thousands of dollars)

County	Sales * Jan. 1981	Sales * Oct. 1980	Change From Oct. 1980 (%)	Sales * Jan. 1980	Change From Jan. 1980 (%)
Rush	1,377	1,557	– 11.6	1,342	2.6
Russell	6,798	6,093	11.6	4,958	37.1
Saline	26,674	28,766	– 7.3	28,258	– 5.6
Scott	2,716	3,708	– 26.8	2,635	3.1
Sedgwick	199,262	200,394	– 0.6	201,830	– 1.3
Seward	13,455	12,449	8.1	13,029	3.3
Shawnee	69,530	70,001	– 0.7	72,596	– 4.2
Sheridan	1,292	1,334	– 3.1	1,293	– 0.1
Sherman	4,700	4,521	4.0	4,218	11.4
Smith	1,766	1,997	– 11.6	1,783	– 1.0
Stafford	1,625	1,849	– 12.1	1,567	3.7
Stanton	846	978	– 13.5	819	3.3
Stevens	1,463	1,678	– 12.8	1,557	– 6.0
Sumner	6,252	7,828	– 20.1	5,968	4.8
Thomas	4,400	5,126	– 14.2	4,739	– 7.2
Trego	1,375	1,721	– 20.1	1,375	– 0.0
Wabaunsee	948	1,030	– 8.0	1,125	– 15.8
Wallace	698	714	– 2.2	648	7.8
Washington	2,098	2,027	3.5	2,149	– 2.3
Wichita	1,616	1,987	– 18.7	956	69.0
Wilson	2,413	2,720	– 11.3	2,894	– 16.6
Woodson	923	1,012	– 8.8	1,174	– 21.4
Wyandotte	62,394	61,497	1.5	61,426	1.6

* Monthly Average for Prior Three Months

Source: Tax Research Section
Kansas Department of Revenue

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS
(dollars)

Items	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change	Annual Avg. 1980
Prices Received by Farmers						
Field Crops						
Wheat (bu.)	4.04	4.01	0.7	3.71	8.9	3.75
Corn (bu.)	3.43	3.37	1.8	2.50	37.2	2.85
Sorghum (cwt.)	5.29	5.36	– 1.3	3.85	37.4	4.55
Hay (ton)	71.50	72.00	– 0.7	51.50	38.8	54.92
Soybeans (bu.)	7.58	7.64	– 0.8	5.92	28.0	6.64
Livestock & Products						
Beef Cattle (cwt.)	61.90	61.10	1.3	65.70	– 5.8	64.73
Calves (cwt.)	72.20	71.20	1.4	83.90	– 13.9	75.86
Hogs (cwt.)	40.50	42.80	– 5.4	34.90	16.0	37.92
Lambs (cwt.)	50.10	53.70	– 6.7	67.80	– 26.1	63.66
Sheep (cwt.)	24.30	20.00	21.5	27.30	– 11.0	22.77
Milk (cwt.)	14.30	14.20	0.7	12.80	11.7	13.05

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VI
PRICES RECEIVED BY KANSAS FARMERS (Continued)
(dollars)

Items	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change	Annual Avg. 1980
Prices Paid by Farmers						
Soybean Meal (cwt.)	15.00	15.50	– 3.2	12.00	25.0	12.58
Bran (cwt.)	9.30	9.40	– 1.1	7.90	17.7	8.30
Beef Conc. (cwt.)	12.00	12.00	0.0	10.00	20.0	10.41
16% Dairy Feed (ton)	196.00	200.00	– 2.0	160.00	22.5	174.58
Hog Conc. (cwt.)	16.10	17.00	– 5.3	13.50	19.3	14.65
Laying Feed (ton)	235.00	235.00	0.0	187.00	25.7	200.75

Source: Kansas Crop and Livestock Reporting Service
Kansas State Board of Agriculture

U.S. Department of Agriculture

TABLE VII
COMMERCIAL BANKING ACTIVITY FOR ALL BANKS
(millions of dollars)

	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Kansas—Statewide					
Loans	8,157	8,358	– 2.4	8,064	1.2
Demand Deposits	3,849	4,315	– 10.8	3,971	– 3.1
Time & Saving Deposits	9,929	8,378	18.5	8,846	12.2
Loan-to-Deposit Ratio	59.2%	65.8%		62.9%	
Kansas City (Wyandotte)					
Loans	489	527	– 7.2	528	– 7.4
Demand Deposits	200	233	– 14.2	214	– 6.5
Time & Saving Deposits	610	475	28.4	606	0.7
Loan-to-Deposit Ratio	60.4%	74.4%		64.4%	
Topeka (Shawnee)					
Loans	487	479	1.7	513	– 5.1
Demand Deposits	257	297	– 13.5	300	– 14.3
Time & Saving Deposits	397	391	1.5	550	– 27.8
Loan-to-Deposit Ratio	74.5%	69.6%		60.4%	
Wichita (Sedgwick)					
Loans	1,247	1,266	– 1.5	1,211	3.0
Demand Deposits	821	1,008	– 18.6	789	4.1
Time & Saving Deposits	1,294	1,184	9.3	1,266	2.2
Loan-to-Deposit Ratio	59.0%	57.8%		58.9%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute for Economic and Business Research

TABLE VII-I
COMMERCIAL BANKING ACTIVITY FOR MEMBER BANKS

(millions of dollars)

	Jan. 1981	Dec. 1980	% change	Jan. 1980	% change
Kansas—Statewide					
Loans	3,673	3,668	0.1	3,631	1.2
Demand Deposits	1,956	1,929	1.4	2,018	– 3.1
Time & Saving Deposits	4,309	3,543	21.6	3,839	12.2
Loan-to-Deposit Ratio	58.6%	67.0%		62.0%	
Kansas City (Wyandotte)					
Loans	203	206	– 1.5	219	– 7.3
Demand Deposits	101	92	9.8	108	– 6.5
Time & Saving Deposits	224	167	34.1	225	– 0.4
Loan-to-Deposit Ratio	62.5%	79.5%		65.8%	
Topeka (Shawnee)					
Loans	256	253	1.2	271	– 5.5
Demand Deposits	167	170	– 1.8	195	– 14.4
Time & Saving Deposits	210	200	5.0	291	– 27.8
Loan-to-Deposit Ratio	67.9%	68.4%		55.8%	
Wichita (Sedgwick)					
Loans	714	717	– 0.4	694	2.9
Demand Deposits	495	550	– 10.0	475	4.2
Time & Saving Deposits	639	574	11.3	605	5.6
Loan-to-Deposit Ratio	63.0%	63.8%		64.3%	

Source: Research Department
Federal Reserve Bank of Kansas City

Institute For Economic and Business Research

TABLE VIII
SAVINGS AND LOAN ACTIVITY

(thousands of dollars)

	Jan. 1981	Dec. 1980	% change	Jan. 1979	% change
Net New Savings	11,900	17,400	– 31.6	15,167	– 21.5
Mortgage Loans Made	56,700	79,100	– 28.3	44,014	28.8

Source: Federal Home Loan Bank of Topeka